

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 OMB-01 OPIC-03

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FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 9350

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E.O. 11652: N/A

TAGS: EINV, BDIS, LI

SUBJECT: CALL OF FIRESTONE EXECUTIVE VICE PRESIDENT LEPAGE

1. MR. FRANK A. LEPAGE, EXECUTIVE VICE PRESIDENT OF FIRESTONE TIRE AND RUBBER CO., BRIEFED ME ON HIS FIRM'S DIFFICULTIES WITH GOL ON MARCH 9. HE REFERRED TO GOL ASSESSMENT OF \$4 MILLION IN BACK TAXES ON FIRESTONE, WHICH THROUGH NEGOTIATIONS HAD BEEN WHITTLED TO \$1 MILLION PLUS. ACCORDING TO LEPAGE EVEN THAT FIGURE COULD NOT STAND UP ANYWHERE IF RECOGNIZED ACCOUNTING PROCEDURES AND CRITERIA WERE APPLIED. HE SAID THAT HE HAD SEEN PRESIDENT TOLBERT ABOUT THE TAX PROBLEM; LATTER HAD THEN INSTRUCTED MINFIN TO ARBITRATE USING MUTUALLY ACCEPTABLE THIRD PARTY AS ARBITER. LEPAGE CONFESSED THAT DURING LONG DRAWN OUT NEGOTIATIONS FIRESTONE HAD COME WITHIN A HAIRBREATH OF SAYING NO TO GOL. SUCH ACTION, HE ADMITTED, WOULD HAVE HAD IMMEDIATE SHOCK EFFECT ON GOL-US RELATIONS. SINCE FIRESTONE FEELS THAT GOL IS MAKING WHAT FIRESTONE CONSIDERS MORE AND MORE UNREASONABLE DEMANDS FOR PROVIDING MORE SCHOOLS, MORE HEALTH FACILITIES AND MORE LIBERIANIZATION, LEPAGE SAID FIRESTONE HAD TEMPORARILY SUSPENDED ALL NEW INVESTMENTS IN LIBERIA. WHILE TO GOL FIRESTONE MAY LOOM VERY LARGE, LEPAGE MENTIONED THAT IN THE CONTEXT OF ITS GLOBAL OPERATIONS, INCOME FROM FIRESTONE OPERATIONS IN LIBERIA WAS RELATIVELY INSIGNIFICANT. ALMOST ALL U.S. FIRMS WHEN CONSIDERING NEW INVESTMENTS IN LIBERIA, LEPAGE SAID, INVARIABLY CHECK WITH FIRESTONE,

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IMPLYING THAT LATTER WOULD NOT RECOMMEND FAVORABLY AT PRESENT

TIME.

2. I COMMENTED THAT THERE IS LOVE-HATE RELATIONSHIP BETWEEN FIRESTONE AND GOL AS THERE IS BETWEEN GOL AND USG. I ADDED THAT RECENT INFLUX OF YOUNG LIBERIANS TRAINED ABROAD INTO POSITIONS OF POWER MAY BE A FACTOR IN THE GOL ATTITUDE. THERE IS A NEW SPIRIT OF NATIONALISM DEVELOPING HERE WHICH AFFECTS GOL ATTITUDES TOWARD FOREIGN INVESTORS. ALSO THE YOUNGER GENERATION BELIEVES GOL SHOULD GET LARGER SHARE OF THE INVESTMENT PIE. WHILE THEY REALIZE IMPORTANT CONTRIBUTION FIRESTONE MAKES TO ECONOMY OF COUNTRY, THEY DO NOT LIKE TO ACKNOWLEDGE THIS FACT AND TRY TO ASSERT THEIR AUTHORITY OVER COMPANY. IN ANSWER TO QUESTION HOW LONG THIS SITUATION WOULD CONTINUE, I REMARKED THAT IT WOULD BE A FEW YEARS BEFORE THEY BEGAN TO REALIZE THAT THERE IS A LIMIT TO SUCH DEMANDS. ONLY THEN WOULD A NEW EQUILIBRIUM BE REACHED. UNTIL THEN, FOREIGN FIRMS AND IN PARTICULAR FIRESTONE MAY EXPECT TO EXPERIENCE SOME DIFFICULTIES FROM TIME TO TIME.
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